

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10  
L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 USIA-06  
AID-05 COME-00 EB-08 FRB-03 TRSE-00 XMB-02  
OPIC-03 LAB-04 SIL-01 OMB-01 CEA-01 STR-07 /096 W  
-----087939 221856Z /45

P 221715Z MAR 78  
FM AMCONSUL QUEBEC  
TO SECSTATE WASHDC PRIORITY 1282  
INFO AMEMBASSY OTTAWA PRIORITY  
AMCONSUL MONTREAL PRIORITY  
AMCONSUL TORONTO PRIORITY

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E.O. 11652: N/A  
TAGS: EFIN, PINT, CA  
SUBJECT: QUEBEC'S BUDGET ESTIMATES: AUSTERITY WITH A  
KEYNESIAN TWIST

1. QUEBEC FINANCE MINISTER, JACQUES PARIZEAU, YESTERDAY  
PRESENTED BUDGET EXPENDITURE ESTIMATES OF 12.7 BILLION  
DOLLARS FOR FY 78-79 WHICH BEGINS APRIL 1. THIS YEAR'S  
ESTIMATES REPRESENT AN INCREASE OF ONLY 8.9 PERCENT OVER  
LAST YEAR'S BUDGET, A GROWTH WHICH HARDLY OFFSETS INFLATIONARY  
PRESSURES ON GOVERNMENT EXPENDITURES. FOR SECOND YEAR IN ROW,  
PQ HAS PROPOSED AUSTERE BUDGET WITH PROVISION FOR VIRTUALLY  
NO NEW PROGRAMS. EXTREMELY TIGHT BUDGET REINFORCED ASSUMPTIONS  
AROUSSED LAST MONTH BY PREMIER LEVESQUEWJS "INAUGURAL ADDRESS"  
THAT GOQ IS PLANNING TAX CUT WHEN REVENUE SIDE OF BUDGET IS REVEALED  
ON APRIL 18.  
PARIZEAU IN PRESS CONFERENCE FOLLOWING BUDGET PRESENTATION  
VIRTUALLY CONFIRMED THIS INTENTION.;

2. AS IN PREVIOUS BUDGETS SINCE QUEBEC TOOK OVER RESPONSIBILITY  
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FOR SOCIAL AFFAIRS AND FOR EDUCATION FROM THE CHURCH SOME 15  
YEARS AGO, THESE TWOAREAS, ALONG WITH MINISTRY OF TRANSPORT,  
ACCOUNT FOR THE LION'S SHARE OF GOVERNMENT EXPENDITURES.  
IN PERIOD OF EXTRAORDINARILY HIGH UNEMPLOYMENT, A MODEST  
300 MILLION DOLLARS ARE TO BE DEVOTED TO PROGRAMS DESIGNED  
TO CREATE OR SUSTAIN EMPLOYMENT. ONLY REALLY NEW PROGRAM  
IN BUDGET SEEMS BE 5.8 MILLION DESTINED SUPPORT BENEFITS FOR

WOMEN ON MATERNITY LEAVE.

3. COMMENT: CLEARLY, THIS BUDGET IS NOT LIKELY BE GREETED WITH ENTHUSIASM BY SOCIAL REFORMIST WING WITHIN PQ AND GOQ RATHER, IT IS DESIGNED TO PROJECT IMAGE OF FISCAL RESPONSIBILITY AND GOVERNMENTAL AUSTERITY DURING PRESENT HARSH ECONOMIC RECESSION. IT'S APPEAL WILL BE STRONGEST AMONG BANKERS, SOME BUSINESS ELEMENTS AND RELATIVELY CONSERVATIVE MAJORITY OF VOTERS. CLASSIC KEYNSIAN DEVICE OF GRANTING TAX CUTS AS STIMULUS TO AILING ECONOMY SHOULD FURTHER ENHANCE IMAGE OF MODERN, RESPONSIVE BUT RESPONSIBLE MANAGEMENT OF PUBLIC FINANCE. TAX CUTS, OF COURSE, WILL HAVE BROAD APPEAL TO ALL THOSE WHO BENEFIT FROM THEM.

4. WHILE BUDGET CANNOT BE CHARACTERIZED AS FOLLOWING CLASSIC PRE-ELECTION FORMULA, ITS MAIN THRUST IS AIMED AT SWEETENING ATTITUDES WITHIN SECTIONS OF ELECTORATE IN WHICH PQ HAS TRADITIONALLY BEEN WEAK. SOCIAL REFORMERS WHO WOULD FAVOR LARGE EXPENDITURES ARE NOT LIKELY SUPPORT PQ'S CONSERVATIVE OPPONENTS IN AN ELECTION. THUS, LOQ CAN AFFORD TAKE SOME RISKS IN DISPLEASEING THEM. AUSTERE CHARACTER OF BUDGET ALSO REINFORCES OUR IMPRESSION THAT LEVESQUE AND HIS MORE CONSERVATIVE, NON-IDEOLOGICAL SUPPORTERS WITHIN CABINET ARE NOW

DOMINATING GOVERNMENT DECISIONS. I UNDERSTAND THAT THEIR VOICE IN GOQ COUNCIL'S HAS BEEN STRENGTHENED BY RECENT PUBLIC LIMITED OFFICIAL USE

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OPINION POLLS INDICATING GENERAL DECLINE IN PQ POPULARITY AND WIDESPREAD DISENCHANTMENT WITH SOCIAL AND CULTURAL REFORMS ENACTED DURING PARTY'S FIRST YEAR INPOWER. MCNAMARA

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## Message Attributes

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**Capture Date:** 01 jan 1994  
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**Concepts:** PROVINCE, BUDGET ESTIMATES, ECONOMIC PROGRAMS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 22 mar 1978  
**Decaption Date:** 20 Mar 2014  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
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**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
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**Disposition Event:**  
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**Disposition Reason:**  
**Disposition Remarks:**  
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**Office:** ACTION EUR  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** ONLY  
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**Subject:** QUEBEC\S BUDGET ESTIMATES: AUSTERITY WITH A KEYNESIAN TWIST  
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**To:** STATE  
**Type:** TE  
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